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Sen. Toy calls budget agreement a “fair compromise”

Lansing – Sen. Laura Toy (R-Livonia) applauded the compromise to solve Michigan’s \$920 million budget deficit that guarantees an income-tax cut in 2004 while providing additional revenue to soften cuts to public schools, higher education and local governments.

The agreement also includes an incentive for small businesses to provide greater healthcare benefits to their employees by reducing an onerous tax burden 50 percent by January 2007.

“This agreement is the result of hard work and compromise by the Senate, the House and the governor,” Toy said. “Now that we have found a solution to the budget deficit, we can get back to dealing with the other important issues facing our state – namely growing the economy and creating jobs.”

Toy said the Senate, the House of Representatives and the Governor’s Office each compromised to reach the deal, which also includes an additional \$12 million in administrative cuts for state government that were not in the initial plan.

The cuts to K-12, higher education and revenue sharing were reduced from the governor’s original proposal because of Senate leadership’s insistence on how money from pausing the income-tax rollback for six months be spent. Under the Senate’s proposal, the roughly \$77 million raised by pausing the rollback will be divided among schools, universities and local governments. The deal also spares 20J (hold-harmless) funding for Clarenceville and Livonia schools.

Schools now face a reduction of less than \$100 per pupil, down significantly from the \$196 per pupil proposed by the governor. The deal also reduces cuts in revenue sharing to 5 percent while university funding drops as little as 2 percent if tuition increases are kept in check.

Under the deal, small businesses in Michigan will see relief from the taxes they pay on health benefits. Taxes paid by employers on healthcare benefits will be reduced a total of 50 percent by January 2007, starting with a five-percent reduction in January 2004. The tax cut will open the door for greater healthcare benefits for working families.

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